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State of South Carolina  
Department of Revenue  
301 Gervais Street, P.O. Box 125, Columbia, South Carolina 29214

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August 25, 2006

Les Boles  
Director  
Office of State Budget  
1201 Main Street, Suite 870  
Columbia, South Carolina 29201

RE Fiscal Year 2007-2008 Budget Requests for Department of Revenue

Dear Les Boles:

The Department of Revenue has no requests for additional funding. However, this is assuming the agency will receive the same level of budget appropriations as the current fiscal year, 2006-2007. The Department of Revenue does have one Proviso request, the deletion of Proviso 64-21 which has been codified in code section 12-33-245(A). Enclosed is the Addendum for Cost Savings and Activity Priority Assessment, plus the Proviso document.

Thank you for your cooperation.

Sincerely:

David John Taylor, CPA  
Chief Financial Officer  
South Carolina Department of Revenue

Enclosure:

- Addendum: FY 2007-08 Cost Savings & Activity Priority Assessment document
- Proviso document

## FY 2007-08 COST SAVINGS & ACTIVITY PRIORITY ADDENDUM

### I. 2% COST SAVINGS ASSESSMENT

- A. Agency Section/Code/Name: R44 Department of Revenue
- B. Agency Activity Number and Name: Administrative
- C. Explanation of Cost Savings Initiative: Rent reduction
- D. Estimate of Savings:

<b>FY 2007-08 Cost Savings Estimates:</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
<b>Personnel:</b>				
(a) Number of FTEs				0.00
(b) Personal Service				\$ 0
(c) Employer Contributions				\$ 0
Program/Case Services				\$ 0
Pass-Through Funds				\$ 0
Other Operating Expenses	400,000			400,000
<b>Total</b>	\$ 400,000	\$ 0	\$ 0	\$ 400,000

- E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*):

None. Rent is paid on the Mills Building and is being changed by the Budget & Control Board under the new lease. The old lease required a bond payment and operating expenses, which totaled approximately \$2.1 million. General Services has estimated the new lease at approximately \$1.7 million

- A. Agency Section/Code/Name: R44 Department of Revenue
- B. Agency Activity Number and Name: Compliance
- C. Explanation of Cost Savings Initiative: Temporary employee reduction
- D. Estimate of Savings:

<b>FY 2007-08 Cost Savings Estimates:</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
<b>Personnel:</b>				
(a) Number of FTEs				0.00
(b) Personal Service	324,000			\$ 324,000
(c) Employer Contributions	90,174			\$ 90,174
Program/Case Services				\$ 0
Pass-Through Funds				\$ 0
Other Operating Expenses				
<b>Total</b>	\$ 414,174	\$ 0	\$ 0	\$ 414,174

- E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*):

The agency is using a number of retirees for training and audit activities. These temporary employees are essential in providing on-the-job training for new employees, as well as continuing to conduct audits during this learning curve. The agency anticipates the need for these temporary employees to be reduced during the FY2007-08 budget.

Summary of Cost Savings Initiatives for FY 2007-08:	FUNDING				FTEs			
	General	Federal	Other	Total	State	Fed.	Other	Total
Initiative Title: Rent Reduction	400,000	0	0	\$ 0	0	0	0	0.00
Activity Number & Name:Administrative								
Initiative Title:Reduction in Temporary Staffing	414,174	0	0	\$ 0	0	0	0	0.00
Activity Number & Name:Compliance								
Initiative Title:	0	0	0	\$ 0	0	0	0	0.00
Activity Number & Name:								
TOTAL OF ALL INITIATIVES	\$ 814,174	\$ 0	\$ 0	\$ 0	0.00	0.00	0.00	0.00

## FY 2007-08 COST SAVINGS & ACTIVITY PRIORITY ADDENDUM

### II. PRIORITY ASSESSMENT OF AGENCY ACTIVITIES

A. Agency Section/Code/Name: R44 Department of Revenue

B. Agency Activity Number and Name: Technology Support, Taxpayer Assistance, Legal, Regulatory and Administrative Support

C. Explanation of Lowest Priority Status:

The Department of Revenue believes all nine current activities are efficient and add value to the services provided to the citizens of the state. As such, it is difficult to prioritize these activities, especially as they relate to the core functions of the agency. Obviously, our activities such as Collections, Compliance and Processing are critical to the organization and the revenue collection of the state, thus have are the highest priorities. Technology Services is a peripheral priority, particularly in the coming fiscal year as the agency develops a new integrated tax processing system.

The remaining activities are key support functions that are lower in priority when compared to the others listed above, but are essential to fulfilling the mission of the agency. Taxpayer Assistance, Property, Legal, Regulatory and Administrative Support activities would be the five lowest of our nine activities but involve necessary functions that may have a low priority yet are required. It is our position that no one activity is a low enough priority that it can be eliminated. However, there may be areas within certain activities for cost savings or reductions of coverage. There are certain tax types or legal requirements that are not cost effective for the agency or the state. Eliminating these would reduction processing and compliance costs. Additionally, as the agency completes the technology infrastructure improvements that are currently underway, there should be the opportunities to see resource savings in administrative support, processing and technology services. Finally, the completion of our Bond payments for the Columbia Mills building should allow the agency to reduction Administrative costs by reducing rent by over \$400,000.

D. Estimate of Savings:

<b>Estimate of Savings:</b>	<b>General</b>	<b>Federal</b>	<b>Supplemental</b>	<b>Capital Reserve</b>	<b>Other</b>	<b>Total</b>
<b>Personnel:</b>						
(a) Number of FTEs	0	0	0	0	0	0.00

(b) Personal Service	0		0	0	0	\$ 0
(c) Employer Contributions	0		0	0	0	\$ 0
Program/Case Services	0	0	0	0	0	\$ 0
Pass-Through Funds	0	0	0	0	0	\$ 0
Other Operating Expenses	0	0	0	0	0	\$ 0
<b>Total</b>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*):

F.

<b>Summary of Priority Assessment of Activities</b>	<b>General</b>	<b>Federal</b>	<b>Supplemental</b>	<b>Capital Reserve</b>	<b>Other</b>	<b>Total</b>	<b>FTEs</b>
Activity Number & Name: Property	1628347	0	0	0	353440	\$1981787	47
Activity Number & Name: Taxpayer Assistance	3663781	0	0	0	795240	4459021	60
Activity Number & Name: Legal	1628347	0	0	0	714440	\$2342787	27
Activity Number & Name: Regulatory	814174	0	0	0	176720	\$990894	14
Activity Number & Name: Administrative Support	4070868	0	0	0	883600	4954468	67
<b>TOTAL OF LOWEST PRIORITIES</b>	11805517	\$ 0	\$ 0	\$ 0	2923440	14728957	215

